

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF U.S. 60 WATER DISTRICT |) | |
| OF SHELBY AND FRANKLIN COUNTIES, KENTUCKY, |) | CASE NO. |
| FOR AN ORDER APPROVING CONSTRUCTION, |) | 93-149 |
| FINANCING AND CERTIFICATE OF PUBLIC |) | |
| CONVENIENCE AND NECESSITY |) | |

O R D E R

By application filed April 21, 1993, U.S. 60 Water District ("U.S. 60") seeks authorization for construction of a \$270,475 waterworks improvement project, for approval of its plan of financing for this project, and for approval of a \$9.00 surcharge for customers served by this project. U.S. 60 also requests a deviation from 807 KAR 5:066, Section 11(1), which requires that each utility shall make an extension of 50 feet to its existing distribution main without charge to a prospective customer who applies for and contracts to use service for one year or more. U.S. 60 also requests approval of its special extension agreement and permission to increase the size of some lines if 100 percent of the additional cost is provided as a grant by the Shelby County Fiscal Court.

On April 28, 1993, the Commission notified U.S. 60 that its application was deficient. Additional information was filed by U.S. 60 on May 12, 1993. On June 29, 1993, U.S. 60 by letter requested the withdrawal of its proposal to enlarge lines.

Project funding includes a loan in the amount of \$237,000 from The Kentucky Association of Counties Leasing Trust ("KACoLT") and \$33,475 from applicants for service in the proposed area. The loan will be for a 20-year period at an interest rate of 5.8 percent per annum.

The proposed construction will provide water service to approximately 65 new customers. Plans and specifications for the proposed improvements prepared by Warner A. Broughman III and Associates of Lexington, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. The proposal presented by U.S. 60 includes a novel financing mechanism tailored by the applicant to the specific facts of its situation and is of a type which previously has been approved by the Commission in Case No. 92-298.¹

2. The public convenience and necessity require the proposed construction and that a Certificate of Public Convenience and Necessity be granted.

3. The proposed construction consists of approximately 10.25 miles of 8- and 4-inch diameter pipelines, and related appurtenances. Construction costs include \$205,790 requiring a

¹ Case No. 92-298, The Application of U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, for an Order Approving Construction, Financing and Certificate of Public Convenience and Necessity.

total of approximately \$270,475 after allowances are made for fees, contingencies, and other indirect costs.

4. U.S. 60's request for approval of the special extension agreement should be granted.

5. U. S. 60's request for deviation from 807 KAR 5:066, Section 11(1), should be granted.

6. U.S. 60's request for approval of a \$9.00 surcharge for customers served by this project should be granted.

7. U.S. 60 should provide the Commission with the total amount of surcharge collected from the new customers six months after the first billing of customers on this extension, and update this information semi-annually thereafter until further order of the Commission.

8. U.S. 60 should monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), U.S. 60 should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. U.S. 60 should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

10. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

11. U.S. 60 should furnish verified documentation of the total costs of this project including the cost of construction and

all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

12. U.S. 60 should require construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

13. U.S. 60 should require the Engineer to furnish within 60 days of the date of substantial completion of this construction a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

14. The financing plan proposed by U.S. 60 is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. U.S. 60 be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed

construction project as set forth in the drawings and specifications of record herein, on the condition that service levels be monitored and corrective action taken in accordance with Commission regulations.

2. U.S. 60's request for approval of the special extension agreement be and hereby is granted.

3. U.S. 60's request for a \$9.00 surcharge for customers served by this project be and hereby is granted.

4. U.S. 60's request for deviation from 807 KAR 5:066, Section 11(1), be and hereby is granted.

5. U.S. 60's financing plan consisting of a \$237,000 loan from KACoLT and a contribution from the applicants for service of \$33,475 is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in U.S. 60's application. The Commission is approving the financing plan with the express intention of reviewing this plan in operation on an ongoing basis.

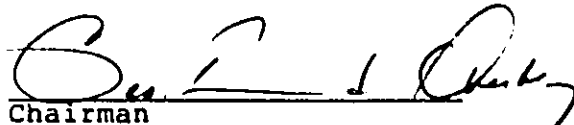
6. Within 30 days of the date of this Order, U.S. 60 shall file with the Commission its revised tariff setting out the surcharge approved herein.

7. U.S. 60 shall comply with all matters set out in Findings 7 through 13 as if the same were individually so ordered.

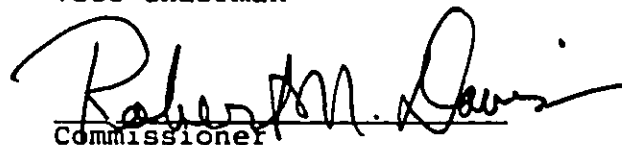
Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 9th day of July, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director